

ORIGINAL EXCEPTION  
OPEN MEETING AGENDA ITEM



0000004732

1 BEFORE THE ARIZONA CORPORATION COMMISSION

12

2 COMMISSIONERS

3 MARC SPITZER - CHAIRMAN  
4 WILLIAM A. MUNDELL  
5 JEFF HATCH-MILLER  
6 MIKE GLEASON  
7 KRISTIN K. MAYES

8 IN THE MATTER OF THE APPLICATION OF  
9 ARIZONA-AMERICAN WATER COMPANY,  
10 INC., AN ARIZONA CORPORATION, FOR A  
11 DETERMINATION OF THE CURRENT FAIR  
12 VALUE OF ITS UTILITY PLANT AND  
13 PROPERTY AND FOR INCREASES IN ITS  
14 RATES AND CHARGES BASED THEREON  
15 FOR UTILITY SERVICE BY ITS SUN CITY  
16 WEST WATER AND WASTEWATER  
17 DISTRICTS.

Docket No. WS-01303A-02-0867

18 IN THE MATTER OF THE APPLICATION OF  
19 ARIZONA-AMERICAN WATER COMPANY,  
20 INC., AN ARIZONA CORPORATION, FOR A  
21 DETERMINATION OF THE CURRENT FAIR  
22 VALUE OF ITS UTILITY PLANT AND  
23 PROPERTY AND FOR INCREASES IN ITS  
24 RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS SUN CITY  
WATER AND WASTEWATER DISTRICTS.

Docket No. WS-01303A-02-0868

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS MOHAVE  
WATER DISTRICT AND ITS HAVASU WATER  
DISTRICT.

Docket No. W-01303A-02-0869

EXCEPTIONS  
OF THE RESIDENTIAL UTILITY  
CONSUMER OFFICE

Arizona Corporation Commission  
DOCKETED

MAY 17 2004

DOCKETED BY	<i>[Signature]</i>
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1 IN THE MATTER OF THE APPLICATION OF  
2 ARIZONA-AMERICAN WATER COMPANY,  
3 INC., AN ARIZONA CORPORATION, FOR A  
4 DETERMINATION OF THE CURRENT FAIR  
5 VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS AGUA FRIA  
WATER DISTRICT AND ITS ANTHEM / AGUA  
FRIA WASTEWATER DISTRICT.

Docket No. WS-01303A-02-0870

6 IN THE MATTER OF THE APPLICATION OF  
7 ARIZONA-AMERICAN WATER COMPANY,  
8 INC., AN ARIZONA CORPORATION, FOR A  
9 DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS TUBAC  
WATER DISTRICT.

Docket No. W-01303A-02-0908

## 11           **EXCEPTIONS OF THE RESIDENTIAL UTILITY CONSUMER OFFICE**

12           The Residential Utility Consumer Office ("RUCO") makes the following Exceptions  
13 to the Recommended Opinion and Order ("ROO") on Arizona-American Water Company's  
14 ("Arizona-American" or "Company") application for a rate increase.  
15

## 16           **PROPERTY TAX CALCULATION**

17           The ROO adopts Staff's calculation of property tax expense which calculated  
18 average revenue by summing its proposed revenue plus two times its adjusted test year  
19 revenues and dividing by three years. ROO at 10. While rejecting the methodology  
20 proposed by RUCO, the ROO acknowledged that RUCO's methodology followed the  
21 methodology adopted by the Arizona Department of Revenue ("ADOR") in its letter of  
22 January 3, 2001. Id. The Commission should adopt the methodology set forth by the  
23 ADOR for the following reasons.  
24

1       The ADOR is the state agency whose charge and expertise is to determine a proper  
2 valuation formula. It should go without saying that a methodology adopted by a state  
3 agency charged with the expertise to determine such valuations, in the absence of  
4 violating the law, should be respected until modified or changed by law or that agency.  
5 The ADOR valuation methodology does not violate the law and was the result of an  
6 agreement by the Arizona Water Utilities Association and ADOR for the purpose of  
7 providing guidance to the water companies on how to treat property taxes in their dealings  
8 with the Commission. R-2, Exhibit 1. The Commission should adopt ADOR's valuation  
9 formula.

10      The ROO discounts RUCO's use of historical revenues because of what it suggests  
11 is its inability to be forward-looking (i.e. it fails to capture the effects of future revenues  
12 from new rates). ROO at 10. However, ADOR's valuation formula is implicitly forward-  
13 looking and does consider the effects of future revenues. In the letter of January 3, 2001,  
14 ADOR recognized the importance of the formula regarding the utilities projections of future  
15 property tax expense. It is reasonable to assume that the Water Utilities Association of  
16 Arizona, a partner in the agreement, also recognized the importance of a forward-looking  
17 valuation method. The letter makes it clear that both parties considered the new valuation  
18 formula forward-looking since one of the stated goals was that the new valuation formula  
19 would assist water utilities in their future dealings with the Commission regarding future  
20 property tax expenses.

21      During the hearing, RUCO's witness, Tim Coley, provided further support that the  
22 new formula was forward-looking. According to Mr. Coley, the new formula, as stated in  
23 the first bullet-point of the January 3, 2001 letter, has a multiplier effect of two. Transcript,  
24 Vol. IV at 588, R-2, Exhibit 1. When multiplied by the average of the three previous years

1 of reported gross revenue, the factor of two makes the formula "very forward-looking"  
2 because it derives a revenue figure that is greater than the respective three years of  
3 historical revenue. Id. Thus, the formula inherently generates an increased level of  
4 revenue through utilization of a factor of two. If applied to the proposed level of revenues,  
5 as recommended by Staff, the forward-looking aspect of the formula would be double-  
6 counted. The ADOR formula is forward-looking and the Commission should adopt the  
7 ADOR formula for property tax valuation.

8

9 **HALF-YEAR CONVENTION**

10 The ROO departs from the usual methodology employed in calculating depreciation.  
11 The ROO recognizes that in the absence of a reason to depart from the usual  
12 methodology, the half-year convention should be used to calculate depreciation. ROO at  
13 9. However, without providing a satisfactory reason for departing from the half-year  
14 convention, the ROO adopts the Company's half-month proposal. Id.

15 It is undisputed that in ratemaking proceedings, the half-year convention is typically  
16 utilized in calculating depreciation. RUCO's Closing Brief at 29. It is also undisputed that  
17 the half-year convention should be used absent a reason to depart from it. Id. The  
18 Company deviates from the norm and employs a half-month convention, which the  
19 Company admits, results in a higher revenue requirement than the half-year convention.  
20 Id. at 29-30. There is no reason to depart from the use of a half-year convention and the  
21 Commission should adopt the half-year convention.

22 The Company's predecessor, Citizens, utilized a half-year convention in calculating  
23 its depreciation expense, and, accordingly, the test-year accumulated depreciation reserve  
24 reflects Citizens use of the half-year convention. Other than the fact that on a post-test

1 year basis, Arizona-American has employed a half-month convention, neither the ROO nor  
2 the Company have provided a reason why the Commission should change from what is  
3 normally used and what was used prior to the time the Company acquired Citizens. There  
4 is simply no reason to deviate from generally accepted regulatory practice, nor is it  
5 appropriate to restate the historical depreciation reserve balance simply because the  
6 Company has chosen to utilize a non-conventional methodology on a going-forward basis.  
7 The Commission should adopt the half-year convention that it normally uses to calculate  
8 depreciation expense.

9

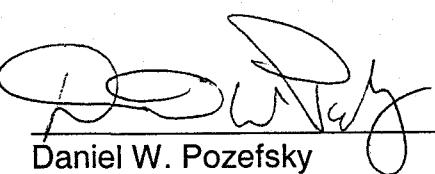
10 **COMPUTATIONAL ERRORS**

11 There are numerous computational errors throughout the ROO. Cumulatively, the  
12 errors are significant and amount to an overstatement of recommended revenues of  
13 \$148,516. Attached hereto as Exhibit 1 is a summary of the errors for each of the  
14 Company's divisions. The chart identifies the number stated in the ROO, followed by the  
15 adjustment, and then the corrected amount for each division. Exhibit 2 is the working  
16 papers used to calculate the corrections. Finally, Exhibit 3 is a proposed amendment to  
17 incorporate the correct figures into the ROO.

18

19 RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of May, 2004.

20

21   
Daniel W. Pozefsky  
22 Attorney

23

24

1 AN ORIGINAL AND TWENTY-ONE COPIES  
2 of the foregoing filed this 17<sup>th</sup> day  
3 of May, 2004 with:

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6 1200 West Washington  
7 Phoenix, Arizona 85007

8 COPIES of the foregoing hand-delivered/  
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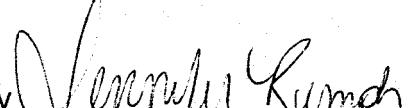
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By   
Jennifer Rumph

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

# EXHIBIT 1

**EXHIBIT 1**

**REVENUE REQUIREMENT  
RUCC CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
		SUN CITY WEST WATER	TUBAC WATER	AGUA FRIA WATER	ANTHEM WATER	AGUA FRIA ANTHEM WATER	MOHAVE WATER	HAVASU WATER	GRAND TOTAL			
1	Adjusted Original Cost Rate Base (As Per ROO)	\$ 11,571,281	\$ 8,916,017	\$ 21,054,481	\$ 8,713,382	\$ 1,127,661	\$ 16,095,182	\$ 9,269,095	\$ 2,731,898	\$ 8,791,741	\$ 622,117	\$ 90,981,825
2	Adjusted Operating Income/(Loss) (As Per Schedule 1, Line 20)	\$ 459,775	\$ 11,200	\$ 588,344	\$ 1,027,476	\$ 27,154	\$ 1,255,613	\$ 799,739	\$ 41,659	\$ 986,082	\$ 28,611	\$ 5,171,702
3	Current Rate Of Return (L2/L1)	0.04%	0.13%	2.45%	11.70%	2.41%	7.43%	8.63%	1.51%	11.22%	3.24%	5.69%
4	Required Operating Income (L5 X L1)	\$ 777,652	\$ 579,185	\$ 1,421,483	\$ 699,207	\$ 74,271	\$ 1,082,417	\$ 802,768	\$ 177,505	\$ 671,239	\$ 53,442	\$ 5,906,209
5	Required Rate Of Return On Fair Value Rate Base (As Per ROO)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
6	Operating Income Deficiency (L4 - L2)	\$ 317,877	\$ 567,985	\$ 886,140	\$ (461,209)	\$ 46,117	\$ (172,196)	\$ (198,891)	\$ 136,868	\$ (414,853)	\$ 26,631	\$ 734,507
7	Gross Revenue Conversion Factor (As Per ROO)	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863
8	Increase In Gross Revenue Requirement (L7 X L5)	\$ 517,704	\$ 925,064	\$ 1,441,565	\$ (751,207)	\$ 75,108	\$ (280,443)	\$ (320,845)	\$ 221,227	\$ (675,642)	\$ 43,697	\$ 1,196,397
9	Adjusted Test Year Revenue (As Per Application)	\$ 3,989,774	\$ 9,535,680	\$ 6,193,980	\$ 5,088,340	\$ 254,486	\$ 6,198,087	\$ 4,010,805	\$ 1,966,546	\$ 4,394,132	\$ 440,924	\$ 35,350,914
10	Proposed Annual Revenue (L8 + L9)	\$ 3,989,478	\$ 4,480,794	\$ 7,684,685	\$ 4,387,103	\$ 329,594	\$ 5,905,594	\$ 3,690,159	\$ 2,067,770	\$ 3,718,400	\$ 484,624	\$ 38,547,201
11	Required Parsonage Increase In Revenue (L8 + L9)	18.31%	26.16%	23.20%	-14.76%	29.51%	-4.55%	-7.89%	11.85%	-15.38%	9.91%	3.38%
12	Rate Of Return On Common Equity (As Per ROO)	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
ADJUSTMENT												
13	PROPOSED REVENUE AS FILED (As Per ROO)	\$ 3,985,416	\$ 4,979,468	\$ 7,692,954	\$ 3,717,479	\$ 324,631	\$ 5,646,046	\$ 317,740	\$ 2,095,584	\$ 4,008,207	\$ 527,991	\$ 38,685,718
14	PROPOSED REVENUE AS CORRECTED (Line 10)	\$ 3,988,778	\$ 4,480,794	\$ 7,684,685	\$ 4,387,103	\$ 329,594	\$ 5,905,594	\$ 3,690,159	\$ 2,087,770	\$ 3,718,400	\$ 484,624	\$ 38,547,201
15	INCREASE/(DECREASE) IN ROO REQUIRED REVENUE	\$ (86,830)	\$ (218,795)	\$ (198,289)	\$ 619,624	\$ 4,983	\$ 259,548	\$ (187,781)	\$ (7,811)	\$ (289,717)	\$ (43,370)	\$ (148,516)
VERIFICATION												
16	INCREASE/(DECREASE) REQ. REV. AS FILED (As Per ROO)	\$ 804,642	\$ 1,143,789	\$ 1,659,964	\$ (1,370,951)	\$ 70,145	\$ (539,991)	\$ (132,985)	\$ 229,039	\$ (385,925)	\$ 87,067	\$ 1,344,904
17	INCREASE/(DECREASE) REQ. REV. AS CORRECTED (L9)	\$ 517,704	\$ 925,054	\$ 1,441,665	\$ (75,237)	\$ 75,108	\$ (280,443)	\$ (320,845)	\$ 221,227	\$ (675,642)	\$ 43,697	\$ 1,196,397
18	INCREASE/(DECREASE) IN ROO REQ. REV. (L17 - L15)	\$ (86,830)	\$ (218,795)	\$ (198,289)	\$ 619,624	\$ 4,983	\$ 259,548	\$ (187,781)	\$ (7,811)	\$ (289,717)	\$ (43,370)	\$ (148,516)

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

**EXHIBIT 1-A**  
**RUCO'S PROJECTED CORPORATE OVERHEAD**

LINE NO.	DISTRICT	(A)	(B)	(C)	(D)
		SALARIES	OFF. SUP/EXP	INSURANCE	MISC. EXP.
1	Sun City West Water	\$ 22,464	\$ 182,392	\$ 19,535	\$ 1,464
2	Sun City West Wastewater	33,696	168,783	16,021	1,238
3	Sun City Water	89,857	322,580	57,988	4,408
4	Sun City Wastewater	14,976	242,477	24,091	1,686
5	Tubac	3,744	9,386	2,351	277
6	Agua Fria	26,208	165,421	22,645	6,263
7	Anthem Water	44,928	53,684	11,712	5,332
8	Agua Fria, Anthem Wastewater	22,464	30,213	3,398	5,176
9	Mohave Water	56,161	163,185	18,113	1,846
10	Havasu Water	11,232	14,208	1,630	1,297

References:

Allocation Factors - As Provided By Company

Allocation Amounts - Calculated Using Same Methodology As Company

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

EXHIBIT 1-B  
RUCO'S RATE CASE EXPENSES

LINE NO.		(A) RUCO AS ADJUSTED	(B) 3 YEAR AMORTIZED ADJUSTMENT
1	Sun City West Water	\$ 40,065	\$ 13,355
2	Sun City West Wastewater	41,901	13,967
3	Sun City Water	73,393	24,464
4	Sun City Wastewater	60,301	20,100
5	Tubac	3,016	1,005
6	Agua Fria	73,309	24,436
7	Anthem Water	47,531	15,844
8	Agua Fria, Anthem Wastewater	22,120	7,373
9	Mohave Water	52,081	17,360
10	Havasu Water	5,225	1,742
11	TOTALS	<hr/> <hr/> 418,941	<hr/> <hr/> 139,647

References:

- Column (A): Allocated RUCO's Recommended Total Rate Case Expense As Per ROO Page 20, Line 19  
Column (B): Column (A) Divided By 3 (The Three Year Amortization Period)

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

**EXHIBIT 1-C**  
**RUCO'S PROJECTED SALARIES AND WAGES**

LINE NO.	COMPANY	(A)	(B)	(C)	(D)	(E)
		GROSS PAYROLL	CAPITAL'D PAYROLL	NET PAYROLL	EMP. COUNT	PAYROLL TAX
1	Sun City West Water	\$ 341,944	\$ 92,325	\$ 249,619	6	\$ 20,566
2	Sun City West Wastewater	418,601	113,022	305,579	9	25,582
3	Sun City Water	806,792	217,834	588,958	24	50,935
4	Sun City Wastewater	80,003	21,601	58,402	4	5,448
5	Tubac	68,044	18,372	49,672	1	4,045
6	Aqua Fria	470,760	127,105	639,401	7	50,629
7	Anthem Water	346,106	93,449	336,224	12	28,661
8	Aqua Fria, Anthem Wastewater	209,800	56,646	219,988	6	18,299
9	Mohave Water	651,510	175,908	475,602	15	40,059
10	Havasu Water	144,850	39,110	105,741	3	8,824

**References:**

Columns (A) (D): Company Provided Data On AZ-AM 2002 Payroll

Column (B): 27% Of Column (A) - Calculated As Representative Of Labor Associated With Capital Projects

Column (C): Column (A) - Column (B) As Per ROO Page 18, Lines 4 - 6

Column (E): Column (C) X 7.65% (FICA) + \$245 X Column (D) (FUTA & SUTA) As Per ROO Page 18, Lines 4 - 6

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

**EXHIBIT 1-D**  
**RUCO'S AZ-AM SERVICE COMPANY ALLOCATIONS**

LINE NO.	DISTRICT	TOTAL SERVICE CHARGES		FOUR FACT'R	(D) RUCO AS ALLOCATED
		(A) COMPANY AS FILED	(B) RUCO AS ADJUSTED		
1	Sun City West Water	\$ 5,153,711	\$ 4,366,610	0.1001	\$ 437,098
2	Sun City West Wastewater	5,153,711	4,366,610	0.1072	468,101
3	Sun City Water	5,153,711	4,366,610	0.1797	784,680
4	Sun City Wastewater	5,153,711	4,366,610	0.1014	442,774
5	Tubac	5,153,711	4,366,610	0.0075	32,750
6	Agua Fria	5,153,711	4,366,610	0.1384	604,339
7	Anthem Water	5,153,711	4,366,610	0.0916	399,981
8	Agua Fria, Anthem Wastewater	5,153,711	4,366,610	0.0558	243,657
9	Mohave Water	5,153,711	4,366,610	0.1011	441,464
10	Havasu Water	5,153,711	4,366,610	0.0146	63,753

**References:**

- Columns (A) (C): Company Schedule C-2, Page 4
- Column (B): Company Response To RUCO Third Data Request
- Column (D): Column (B) X Column (C) As Per ROO Page 18, Lines 4 - 6

**EXHIBIT 1-E**  
**REVENUE REQUIREMENT AS FILED IN RECOMMENDED OPINION AND ORDER**

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

# EXHIBIT 2

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City West Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Sun City West Water District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJM'T TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 16,407,508	\$ 3,575,535	\$ 19,983,043	\$ 11,971,281
2	Adjusted Operat'g Income (Loss)	\$ 361,287		\$ 361,287	\$ 459,775
3	Current Rate Of Return (L2 / L1)		2.20%		1.81% 3.84%
4	Req. Operat'g Income (L5 X L1)	\$ 1,271,506		\$ 1,548,686	\$ 777,652
5	Req'd Rate Of Return On FVRB		7.75%		7.75% 6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 910,219		\$ 1,187,399	\$ 317,877
7	Gross Rev. Factor (RLM-1, Pg 2)		1.6286		1.6286 1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 1,482,414		\$ 1,933,798	\$ 517,704
9	Adjusted Test Year Revenue	\$ 3,380,774		\$ 3,380,774	\$ 3,380,774
10	Proposed Annual Rev. (L8 + L9)	\$ 4,863,188		\$ 5,314,572	\$ 3,898,478
11	Required % Increase In Rev. (L8 / L9)		43.85%		57.20% 15.31%
12	Rate Of Return On Common Eq'ty		11.50%		11.50% 9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 3,985,416
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 3,898,478
15	Difference				\$ (86,938)

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Sun City West Water District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 31,153,379	\$ 237,000	\$ -	\$ -	\$ 31,390,379
	Less:					
2	Accumulated Depreciation	6,211,024	84,111	-	-	6,295,135
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 24,942,355</u>	<u>\$ 152,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,095,244</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 12,151,160	\$ -	\$ -	\$ -	\$ 12,151,160
5	Contribution In Aid Of Const. ("CIAC")	\$ 971,578	\$ -	\$ -	\$ -	971,578
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 971,578	\$ -	\$ -	\$ -	\$ 971,578
8	Customer Meter Deposits	\$ 1,225	\$ -	\$ -	\$ -	\$ 1,225
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding		(1)			
16	<b>TOTAL RATE BASE</b>	<b><u>\$ 11,818,391</u></b>	<b><u>\$ 152,889</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,971,281</u></b>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 -28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF OPERATING INCOME ADJUSTMENTS

COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER	(B) ADJUSTMENT # 1	(C)	(D) ADJUSTMENT # 2	(E)	(F) ADJUSTMENT # 3	(G)	(H) ADJUSTMENT # 4	(I)	(J) ADJ	(K) ADJUSTMENT # 6	(L)	(M)
			A	B	A	B	A	B	A	B	A	B	A	RUCO
1	Metered Water Revenues	\$ 3,342,134												AS ADTED
2	Unmetered Water Revenues													
3	Other Water Revenues	37,640												\$ 3,343,134
4	TOTAL OPERATING REVENUE:	<u>\$ 3,380,774</u>												37,640
5	OPERATING EXPENSES:													
6	Salaries And Wages	\$ 380,574	\$ (57,866)	\$ 22,464	\$ -	\$ -	\$ (332,908)	\$ 249,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,380,774
7	Purchased Water	585,941												272,083
8	Purchased Power	20,407												
9	Chemicals	170,058												585,941
10	Repairs And Maintenance	131,751	(104,579)	182,382										20,407
11	Office Supplies And Expenses	32,432												170,058
12	Outside Services	474,842												200,570
13	Service Company Fees	6,059												32,432
14	Water Testing	14,134												437,968
15	Rentals	-												6,059
16	Transportation Expenses	-												14,134
17	Insurance - General Liability	22,050	(22,010)	19,535										-
18	Insurance - Health And Life	(1,311)												20,175
19	Hsg. Comm. Exp. - Rate Case	22,313												-
20	Miscellaneous Expense	148,983	(1,462)	1,464	(22,319)	13,355								13,355
21	Depreciation Expense	756,584												148,983
22	Taxes Other Than Income	26,453												756,584
23	Property Taxes	130,976												20,586
24	Income Tax	(1,311)												141,699
25	ADJUSTMENT DUE TO ROUNDING													71,933
	TOTAL OPERATING EXPENSES:	<u>\$ 2,082,536</u>	<u>\$ (185,711)</u>	<u>\$ 225,355</u>	<u>\$ (22,319)</u>	<u>\$ 13,355</u>	<u>\$ (362,341)</u>	<u>\$ 270,185</u>	<u>\$ (471,842)</u>	<u>\$ 437,068</u>	<u>\$ 10,638</u>	<u>1,311</u>	<u>71,933</u>	
26	OPERATING INCOME (LOSS)	<u>\$ 447,933</u>	<u>\$ 185,711</u>	<u>\$ (225,055)</u>	<u>\$ 22,318</u>	<u>\$ (13,355)</u>	<u>\$ 362,341</u>	<u>\$ (270,185)</u>	<u>\$ 474,842</u>	<u>\$ (437,068)</u>	<u>\$ (10,638)</u>	<u>\$ (1,311)</u>	<u>\$ 71,933</u>	<u>\$ 459,775</u>
	CALCULATION OF INTEREST SYNCHRONIZATION													
27	Adjusted Original Credit Basis (As Per ROO)	\$ 11,971,281	2.9%	T.Y. Operating Income Before Income Taxes										
28	Weighted Average Cost Of Debt (As Per ROO)	\$ 345,348		DEDUCT: Interest Expense										
29	Synchronized Interest (Line 25 X Line 26)			Taxable income										
30														
31	State Tax @ 6.968%													
32	Federal Taxable Income													
33	Federal Tax @ 34%													
	Total Federal & State Income Taxes													

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)

A - Remove Company's Overhead Expenses

B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)

A - Remove Company's Rate Case Expense

B - Add RUCO's Rate Case Expense

Adjustment # 3 - Company Salaries & Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)

A - Remove Company's Salaries & Wages

B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. Alt-1)

A - Add RUCO's Property Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

B - Add RUCO's Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City West Wastewater District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**TABLE OF CONTENTS TO RLM SCHEDULES**

<u>SCH. NO.</u>	<u>PAGE NO.</u>	<u>TITLE</u>
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Sun City West Wastewater District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
		COMPANY RCND	ADJM'T TO RESTATE TO ORIGINAL COST	COMPANY ORIGINAL COST	ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 13,455,978	\$ 5,794,789	\$ 19,250,767	\$ 8,916,017
2	Adjusted Operat'g Income (Loss)	\$ (164,369)		\$ (164,369)	\$ 11,200
3	Current Rate Of Return (L2 / L1)		-1.22%		-0.85% 0.13%
4	Req. Operat'g Income (L5 X L1)	\$ 1,042,766		\$ 1,491,934	\$ 579,195
5	Req'd Rate Of Return On FVRB		7.75%		7.75% 6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 1,207,145		\$ 1,656,303	\$ 567,995
7	Gross Rev. Factor (RLM-1, Pg 2)		<u>1.6286</u>		<u>1.6286</u> <u>1.62863</u>
8	Increase In Gross Rev. Req't (L7 X L6)	<u>\$ 1,965,956</u>		<u>\$ 2,697,456</u>	<u>\$ 925,054</u>
9	Adjusted Test Year Revenue	\$ 3,535,680		\$ 3,535,680	\$ 3,535,680
10	Proposed Annual Rev. (L8 + L9)	\$ 5,494,492		\$ 6,233,136	\$ 4,460,734
11	Required % Increase In Rev. (L8 / L9)	55.60%		76.29%	26.16%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 4,679,469
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 4,460,734
15	Difference				<u>\$ (218,735)</u>

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Sun City West Wastewater District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B)	(C)	(D)	(E) ROO ADJUSTED AS OCRB
			ROO ADJM'T # 1	ROO ADJM'T # 2	ROO ADJM'T # 3	
1	Gross Utility Plant In Service	\$ 39,101,812	\$ (74,370)	\$ -	\$ -	\$ 39,027,442
	Less:					
2	Accumulated Depreciation	14,290,245	(140,996)	-	-	14,149,249
3	Net Utility Plant In Service (L1 - L2)	\$ 24,811,567	\$ 66,626	\$ -	\$ -	\$ 24,878,193
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 14,502,979	\$ -	\$ -	\$ -	\$ 14,502,979
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,458,672	\$ -	\$ -	\$ -	1,458,672
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 1,458,672	\$ -	\$ -	\$ -	\$ 1,458,672
8	Customer Meter Deposits	\$ 525	\$ -	\$ -	\$ -	\$ 525
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Tolleson Trickling Filter	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<b>\$ 8,849,391</b>	<b>\$ 66,626</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,916,017</b>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Rebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS**  
**COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT # 1		(C) ADJUSTMENT # 2		(F) ADJUSTMENT # 3		(G) ADJUSTMENT # 4		(H) ADJ. # 5		(K) ADJUSTMENT # 6		
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	
1	OPERATING REVENUES:	\$ 3,654,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,654,678	
2	Flat Rate Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ -	
3	Measured Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 1,002	
4	Other Wastewater Revenue	1,002	\$ 355,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,655,680	
	TOTAL OPERATING REVENUE:	<u>\$ 355,680</u>	<u>\$ 355,680</u>													
	OPERATING EXPENSES:															
5	Salaries And Wages	\$ 50,154	\$ (86,499)	\$ 38,696	\$ -	\$ -	\$ (413,655)	\$ 305,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 389,275	
6	Purchased Wastewater Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	1,426	
7	Purchased Power	1,426	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	Fuel For Power Production	-	-	-	-	-	-	-	-	-	-	-	-	-	375,064	
9	Chemicals	375,064	-	-	-	-	-	-	-	-	-	-	-	-	382,206	
10	Material And Supplies	382,206	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Repairs And Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	158,982	
12	Office Supplies And Expenses	843	(92,664)	168,783	-	-	-	-	-	-	-	-	-	-	(14,005)	
13	Outside Services	(14,005)	-	-	-	-	-	-	-	-	-	-	-	-	468,101	
14	Service Company Charges	508,522	-	-	-	-	-	-	-	-	-	-	-	-	91,410	
15	Water Testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	Rents	91,410	-	-	-	-	-	-	-	-	-	-	-	-	16,958	
17	Transportation Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18	Insurance - General Liability	18,367	(17,430)	16,021	-	-	-	-	-	-	-	-	-	-	-	
19	Insurance - Health And Life	-	-	-	-	-	-	-	-	-	-	-	-	-	13,967	
20	Reg. Comm. Exp. - Rate Cases	23,325	-	(23,325)	13,967	-	-	-	-	-	-	-	-	-	243,452	
21	Miscellaneous Expense	243,451	(1,237)	1,238	-	-	-	-	-	-	-	-	-	-	1,410,140	
22	Depreciation Expense	1,410,140	-	-	-	-	-	-	-	-	-	-	-	-	25,562	
23	Taxes Other Than Income	33,084	-	-	-	-	-	(33,084)	25,582	-	-	-	-	-	156,559	
24	Property Taxes	163,121	-	-	-	-	-	-	-	-	-	-	-	-	(154,649)	
25	Income Tax	(250,822)	-	-	-	-	-	-	-	-	-	-	-	-	-	
26	Tolson Wastewater User Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
27	TOTAL OPERATING EXPENSES:	<u>\$ 357,305</u>	<u>\$ (197,830)</u>	<u>\$ 219,738</u>	<u>\$ (219,738)</u>	<u>\$ 23,325</u>	<u>\$ (23,325)</u>	<u>\$ 13,967</u>	<u>\$ (13,967)</u>	<u>\$ (446,749)</u>	<u>\$ 381,161</u>	<u>\$ (446,749)</u>	<u>\$ 468,101</u>	<u>\$ (6532)</u>	<u>\$ 250,822</u>	<u>\$ 154,649</u>
28	OPERATING INCOME (LOSS):	<u>\$ 357,305</u>	<u>\$ (197,830)</u>	<u>\$ 219,738</u>	<u>\$ (219,738)</u>	<u>\$ 23,325</u>	<u>\$ (23,325)</u>	<u>\$ 13,967</u>	<u>\$ (13,967)</u>	<u>\$ (446,749)</u>	<u>\$ 381,161</u>	<u>\$ (446,749)</u>	<u>\$ 468,101</u>	<u>\$ 6532</u>	<u>\$ 250,822</u>	<u>\$ 154,649</u>
	CALCULATION OF INTEREST SYNCHRONIZATION															
29	Calculated Original Cost Rate Basis (As Per ROO)	\$ 8,916,017														
30	Weighted Average Cost Of Debt (As Per ROO)	2.6%														
31	Synchronized Interest (Line 25 X Line 26)	\$ 227,209														
	ADJUSTMENT # 1 - Corporate Overhead Expenses As Per ROO Page 16, Lines 4 - 6 (See Exhibit A)															
	A - Remove Company's Overhead Expenses															
	B - Add RUCO's Overhead Expenses															
	ADJUSTMENT # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)															
	A - Remove Company's Rate Case Expenses															
	B - Add RUCO's Rate Case Expenses															
	ADJUSTMENT # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)															
	A - Remove Company's Salaries & Wages															
	B - Add RUCO's Salaries & Wages															

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 16, Lines 4 - 6 (See Exhibit A)

A - Remove Company's Overhead Expenses

B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)

A - Remove Company's Rate Case Expenses

B - Add RUCO's Rate Case Expenses

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)

A - Remove Company's Salaries & Wages

B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. Alt-1)

A - Remove Company's Income Tax

B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Sun City Water District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJM'T TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 48,703,466	\$ (16,736,610)	\$ 31,966,856	\$ 21,853,479
2	Adjusted Operat'g Income (Loss)	\$ 581,339		\$ 476,007	\$ 536,344
3	Current Rate Of Return (L2 / L1)		1.19%		1.49% 2.45%
4	Req. Operat'g Income (L5 X L1)	\$ 3,774,295		\$ 2,477,431	\$ 1,421,483
5	Req'd Rate Of Return On FVRB		7.75%		7.75% 6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 3,192,955		\$ 2,001,424	\$ 885,139
7	Gross Rev. Factor (RLM-1, Pg 2)		1.6286		1.6286 1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 5,200,162		\$ 3,259,520	\$ 1,441,565
9	Adjusted Test Year Revenue	\$ 6,193,090		\$ 6,193,090	\$ 6,193,090
10	Proposed Annual Rev. (L8 + L9)	\$ 11,387,913		\$ 9,452,610	\$ 7,634,655
11	Required % Increase In Rev. (L8 / L9)		83.97%		52.63% 23.28%
12	Rate Of Return On Common Eq'y		11.50%		11.50% 9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 7,832,954
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 7,634,655
15	Difference				\$ (198,299)

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Sun City Water District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 38,754,465	\$ 6,894	\$ -	\$ -	\$ 38,761,359
	Less:					
2	Accumulated Depreciation	13,280,503	167,886	-	-	13,448,389
3	Net Utility Plant In Service (L1 - L2)	\$ 25,473,962	\$ (160,992)	\$ -	\$ -	\$ 25,312,970
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 2,331,186	\$ -	\$ -	\$ -	\$ 2,331,186
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,127,078	\$ -	\$ -	\$ -	\$ 1,127,078
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 1,127,078	\$ -	\$ -	\$ -	\$ 1,127,078
8	Customer Meter Deposits	\$ 1,225	\$ -	\$ -	\$ -	\$ 1,225
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	1				(2)
16	<b>TOTAL RATE BASE</b>	<b>\$ 22,014,474</b>	<b>\$ (160,992)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,853,479</b>

References:

- Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)
- Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
SUMMARY OF OPERATING INCOME ADJUSTMENTS  
COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT #1		(C) ADJUSTMENT #1		(D) ADJUSTMENT #2		(E) ADJUSTMENT #2		(F) ADJUSTMENT #3		(G) ADJUSTMENT #3		(H) ADJUSTMENT #4		(I) ADJUSTMENT #4		(J) ADJ #5		(K) ADJUSTMENT #6		(L) ADJ #6		(M) RUCO AS ADOTED			
		REJOINDER	A	REJOINDER	A	REJOINDER	B	REJOINDER	A	REJOINDER	B	REJOINDER	A	REJOINDER	B														
1	OPERATING REVENUES:	\$ 6,079,671		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ 6,079,671	
2	Metered Water Revenues																												
3	Unmetered Water Revenues																												
4	Other Water Revenues	113,419																											
5	TOTAL OPERATING REVENUES:	\$ 6,193,080		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ 6,193,080	
6	OPERATING EXPENSES:																												
7	Salaries And Wages	\$ 1,000,450		\$ (230,064)		\$ 89,857		\$ -		\$ -		\$ -		\$ (79,786)		\$ 588,568		\$ -		\$ -		\$ -		\$ -		\$ -		\$ 678,315	
8	Purchased Water	1,416,410																											
9	Chemicals	17,413																											
10	Repairs And Maintenance	540,349																											
11	Office Supplies And Expenses	366,480																											
12	Outside Services	93,641																											
13	Service Company Fees	862,428																											
14	Water Testing	6,875																											
15	Hirens	28,369																											
16	Transportation Expenses	22																											
17	Insurance - General Liability	66,847																											
18	Insurance - Health And Life	40,874																											
19	Reg. Comm. Exp. - Rate Case	301,066																											
20	Miscellaneous Expense	1,007,693																											
21	Depreciation Expense	62,753																											
22	Taxes Other Than Income	266,318																											
23	Property Taxes	(46,242)																											
24	Income Tax Adjustment Due To Rounding	\$ 5,611,752		\$ (512,265)		\$ 474,853		\$ (40,674)		\$ 24,464		\$ (832,558)		\$ 639,893		\$ (852,488)		\$ 784,680		\$ (27,828)		\$ 446,242		\$ (59,146)		\$ 5,686,746			
25	TOTAL OPERATING EXPENSES:	\$ 5,611,752		\$ (512,265)		\$ 474,853		\$ (40,674)		\$ 24,464		\$ (832,558)		\$ 639,893		\$ (852,488)		\$ 784,680		\$ (27,828)		\$ 446,242		\$ (59,146)		\$ 5,686,746			
26	OPERATING INCOME (LOSS):	\$ 5,611,752		\$ 512,265		\$ (474,853)		\$ 40,674		\$ (24,464)		\$ 832,558		\$ (859,893)		\$ 852,488		\$ 784,680		\$ (27,828)		\$ 446,242		\$ 59,146		\$ 5,686,746			
27	CALCULATION OF INTEREST SYNCHRONIZATION	\$ 21,853,479																											
28	Adjusted Original Cost Rate Base (As Per ROO)																												
29	Weighted Average Cost Of Debt (As Per ROO)																												
30	Synthetic/nd Indirect (Int 25 X Int 31)	\$ (10,677)																											
31	Federal Taxable Income	\$ (142,554)																											
32	Federal Tax @ 34%	\$ (46,468)																											
33	Total Federal & State Income Taxes	\$ (50,146)																											
	ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)																												
	Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)																												
	A - Remove Company's Overhead Expenses																												
	B - Add RUCO's Overhead Expenses																												
	Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)																												
	A - Remove Company's Rate Case Expenses																												
	B - Add RUCO's Rate Case Expenses																												
	Adjustment # 3 - Company Salaries And Wages																												
	A - Remove Company's Salaries & Wages																												
	B - Add RUCO's Salaries & Wages																												

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. All-1)

Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

A - Remove Company's Income Tax

B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Sun City Wastewater District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Sun City Wastewater District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
		COMPANY RCND	ADJM'T TO RESTATE TO ORIGINAL COST	COMPANY ORIGINAL COST	ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 20,233,577	\$ (6,191,840)	\$ 14,041,737	\$ 8,713,382
2	Adjusted Operat'g Income (Loss)	\$ 1,175,416		\$ 1,175,416	\$ 1,027,476
3	Current Rate Of Return (L2 / L1)		5.81%		8.37% 11.79%
4	Req. Operat'g Income (L5 X L1)	\$ 1,568,009		\$ 1,088,235	\$ 566,207
5	Req'd Rate Of Return On FVRB		7.75%		7.75% 6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 392,593		\$ (87,181)	\$ (461,269)
7	Gross Rev. Factor (RLM-1, Pg 2)		1.6286		1.6286 1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 639,391		\$ (141,984)	\$ (751,237)
9	Adjusted Test Year Revenue	\$ 5,088,340		\$ 5,088,340	\$ 5,088,340
10	Proposed Annual Rev. (L8 + L9)	\$ 5,727,731		\$ 4,946,356	\$ 4,337,103
11	Required % Increase In Rev. (L8 / L9)		12.57%		-2.79% -14.76%
12	Rate Of Return On Common Eq'ty		11.50%		11.50% 9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 3,717,479
14	Proposed Revenue Requirement As Corrected By RUCCO				\$ 4,337,103
15	Difference				\$ 619,624

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Sun City Wastewater District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 19,962,780	\$ (69,319)	\$ -	\$ -	\$ 19,893,461
	Less:					
2	Accumulated Depreciation	7,189,539	(5,604)	-	-	7,183,935
3	Net Utility Plant In Service (L1 - L2)	\$ 12,773,241	\$ (63,715)	\$ -	\$ -	\$ 12,709,526
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 3,309,005	\$ -	\$ -	\$ -	\$ 3,309,005
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,187,139	\$ -	\$ -	\$ -	\$ 1,187,139
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 1,187,139	\$ -	\$ -	\$ -	\$ 1,187,139
8	Customer Meter Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Tolleson Trickling Filter	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	1				
16	<b>TOTAL RATE BASE</b>	<b>\$ 8,777,098</b>	<b>\$ (63,715)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,713,382</b>

References:

- Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)
- Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS**  
**COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO**

AS "INSTAVENIS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

**Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)**  
**A - Remove Company's Overhead Expenses**

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

- A - Remove Company's Service Company Allocations
- B - Add RUC's Service Company Allocations
- Adjustment # 5 - Property Tax Expense As Per Ruc Page 10 Lines 17 & 18 (See Appropriate Staff Surplus/Deficit Sch. All-1)
- Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 29 - 35)
- A - Remove Company's Income Tax
- B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Tubac Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Tubac Water District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
		COMPANY RCND	ADJM'T TO RESTATE TO ORIGINAL COST	COMPANY ORIGINAL COST	ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 1,127,661
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 27,154
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	2.41%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 73,271
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ 46,117
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 216,475		\$ 180,029	\$ 75,108
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 254,486
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 329,594
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	29.51%
12	Rate Of Return On Common Eq'y	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 324,631
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 329,594
15	Difference				\$ 4,963

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Tubac Water District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 1,968,841	\$ 41,223	\$ -	\$ -	\$ 2,010,064
	Less:					
2	Accumulated Depreciation	571,158	(3,101)	-	-	568,057
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 1,397,683</u>	<u>\$ 44,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442,007</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 170,081	\$ -	\$ -	\$ -	\$ 170,081
5	Contribution In Aid Of Const. ("CIAC")	\$ 143,675	\$ -	\$ -	\$ -	143,675
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 143,675	\$ -	\$ -	\$ -	\$ 143,675
8	Customer Meter Deposits	\$ 590	\$ -	\$ -	\$ -	\$ 590
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<b>\$ 1,083,337</b>	<b>\$ 44,324</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,127,661</b>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)

SUMMARY OF OPERATING INCOME ADJUSTMENTS

COMPANY REVENUE TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY REVENUE		(B) ADJUSTMENT #1		(C) ADJUSTMENT #2		(D) ADJUSTMENT #3		(E) ADJUSTMENT #4		(F) ADJUSTMENT #5		(G) ADJUSTMENT #6		(H) ADJUSTMENT #7		(I) ADJUSTMENT #8		(J) ADJUSTMENT #9		(K) ADJUSTMENT #10		(L) ADJUSTMENT #11		(M) RUCO AS ADJUSTED		
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	
1	Metered Water Revenues	\$ 251,795		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ 251,795
2	Unmetered Water Revenues																											
3	Other Water Revenues	2,691																										
4	TOTAL OPERATING REVENUE:	\$ 254,486		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ 254,486
5	OPERATING EXPENSES:																											
6	Salaries And Wages	\$ 74,102		\$ (9,611)		\$ 3,744		\$ -		\$ -		\$ (64,491)		\$ 49,672		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ 53,416
7	Purchased Water	20,767																										
8	Purchased Power																											
9	Chemicals	16																										
10	Repairs And Maintenance	18,029																										
11	Office Supplies And Expenses	15,578																										
12	Outside Services	10,516																										
13	Service Company Fees	35,578																										
14	Water Testing	1,420																										
15	Rents	3,454																										
16	Transportation Expenses	-																										
17	Insurance - General Liability	2,487																										
18	Insurance - Health And Life	-																										
19	Reg. Comm. Exp. - Rate Case	1,680																										
20	Miscellaneous Expense	7,077																										
21	Depreciation Expense	37,365																										
22	Taxes Other Than Income	5,095																										
23	Property Taxes	22,972																										
24	Income Tax	(20,135)																										
25	Adjustment Due To Rounding	\$ 238,000		\$ (19,417)		\$ 15,758		\$ (1,880)		\$ 1,005		\$ (69,586)		\$ 53,717		\$ (36,578)		\$ 32,750		\$ (2,391)		\$ 20,135		\$ (3,381)		\$ 227,332		
26	TOTAL OPERATING EXPENSE:	\$ 18,486		\$ 19,417		\$ (15,758)		\$ 1,680		\$ (1,005)		\$ 69,586		\$ (53,717)		\$ 35,578		\$ (32,750)		\$ 2,391		\$ (20,135)		\$ 3,381		\$ 27,154		
27	CALCULATION OF INTEREST SYNCHRONIZATION	\$ 1,127,661																										
28	Adjusted Original Cost Of Debt (As Per ROO)	2,13%																										
29	Weighted Average Cost Of Debt (As Per ROO)	\$ 22,531																										
30	Synchronized Interest (Line 25 X line 26)																											
31	STATE TAXES																											
32	State Tax @ 6.666%																											
33	Federal Tax @ 34%																											
	Total Federal & State Income Taxes	\$ (610)		\$ (8,148)		\$ (2,770)		\$ (3,381)																				

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)

A - Remove Company's Overhead Expenses

B - Add RUCO's Service Company Allocations

Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)

A - Remove Company's Rate Case Expenses

B - Add RUCO's Rate Case Expenses

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)

A - Remove Company's Salaries & Wages

B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebunal Sch. All-1)

A - Remove Company's Income Tax

B - Add Calculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Aqua Fria Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Aqua Fria Water District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
		COMPANY RCND	ADJM'T TO RESTATE TO ORIGINAL COST	COMPANY ORIGINAL COST	ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 16,665,182
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 1,255,613
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	7.53%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 1,083,417
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ (172,196)
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 216,475		\$ 180,029	\$ (280,443)
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 6,186,037
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 5,905,594
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	-4.53%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 5,646,046
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 5,905,594
15	Difference				\$ 259,548

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Agua Fria Water District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 50,919,880	\$ 142,227	\$ -	\$ -	\$ 51,062,107
	Less:					
2	Accumulated Depreciation	4,993,698	27,130	-	-	5,020,828
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 45,926,182</u>	<u>\$ 115,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,041,279</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 27,385,370	\$ -	\$ -	\$ -	\$ 27,385,370
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,973,438	\$ -	\$ -	\$ -	1,973,438
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 1,973,438	\$ -	\$ -	\$ -	\$ 1,973,438
8	Customer Meter Deposits	\$ 17,289	\$ -	\$ -	\$ -	\$ 17,289
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<b>\$ 16,550,085</b>	<b>\$ 115,097</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,665,182</b>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**

**SUMMARY OF OPERATING INCOME ADJUSTMENTS**

**COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER	(B) ADJUSTMENT #1	(C) ADJUSTMENT #1	(D) ADJUSTMENT #2	(E) ADJUSTMENT #2	(F) ADJUSTMENT #3	(G) ADJUSTMENT #3	(H) ADJUSTMENT #4	(I) ADJUSTMENT #4	(J) ADJ #5	(K) ADJUSTMENT #6	(L) ADJ #5	(M) RUOC AS ADOTED
OPERATING REVENUES:														
1 Metersed Water Revenues	\$ 5,046,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,046,076
2 Unmetered Water Revenues	389,961	-	-	-	-	-	-	-	-	-	-	-	-	389,961
3 Other Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 TOTAL OPERATING REVENUES	\$ 6,186,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,186,037
OPERATING EXPENSES:														
5 Salaries And Wages	\$ 545,822	\$ (115,332)	\$ 26,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 695,699
6 Purchased Water	382,700	-	-	-	-	-	-	-	-	-	-	-	-	382,700
7 Purchased Power	601,814	-	-	-	-	-	-	-	-	-	-	-	-	601,814
8 Chemicals	10,523	-	-	-	-	-	-	-	-	-	-	-	-	10,523
9 Repairs And Maintenance	198,956	-	-	-	-	-	-	-	-	-	-	-	-	198,956
10 Office Supplies And Expenses	112,445	-	(108,284)	165,421	-	-	-	-	-	-	-	-	-	35,465
11 Outside Services	35,465	-	-	-	-	-	-	-	-	-	-	-	-	604,339
12 Service Company Fees	656,525	-	-	-	-	-	-	-	-	-	-	-	-	8,614
13 Water Testing	8,614	-	-	-	-	-	-	-	-	-	-	-	-	25,841
14 Rents	25,841	-	-	-	-	-	-	-	-	-	-	-	-	25,841
15 Transportation Expenses	26,694	-	(28,166)	22,645	-	-	-	-	-	-	-	-	-	29,179
16 Insurance - General Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Insurance - Health And Life	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18 Reg. Comm. Exp. - Rate Case	43,906	-	(6,226)	6,283	-	-	-	-	-	-	-	-	-	189,275
19 Miscellaneous Expense	189,238	-	-	-	-	-	-	-	-	-	-	-	-	1,157,575
20 Depreciation Expense	1,157,575	-	-	-	-	-	-	-	-	-	-	-	-	50,629
21 Taxes Other Than Income	34,037	-	-	-	-	-	-	-	-	-	-	-	-	29,774
22 Property Taxes	309,791	-	-	-	-	-	-	-	-	-	-	-	-	-
23 Income Tax	506,184	-	-	(43,306)	24,438	-	-	-	-	-	-	-	-	487,100
24 Adjustment Due To Rounding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 TOTAL OPERATING EXPENSES	\$ 4,845,829	\$ (255,089)	\$ 220,537	\$ (43,906)	\$ 24,438	\$ (464,227)	\$ (656,525)	\$ (604,339)	\$ (15,017)	\$ (506,184)	\$ 487,100	\$ 4,930,424		
26 OPERATING INCOME (LOSS)	\$ 1,340,208	\$ 265,988	\$ (220,537)	\$ 43,906	\$ (24,438)	\$ 464,227	\$ (656,525)	\$ (604,339)	\$ 15,017	\$ 506,184	\$ 487,100	\$ 1,255,616		
CALCULATION OF INTEREST SYNCHRONIZATION														
27 Adjustment Original Cost (Rate Case) As Per ROO	\$ 16,695,182	T. Y. Operating Income Before Income Tax												
28 Weighted Average Cost Of Capital As Per ROO	2.6%	DEDUCT: Interest Expenses												
29 Synchronized Interest (Line 27 X Line 28)	\$ 410,767	Interest Income												
30														
31														
32														
33														
ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)														
Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)														
A - Remove Company's Overhead Expenses														
B - Add RUOC's Overhead Expenses														
Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)														
A - Remove Company's Rate Case Expenses														
B - Add RUOC's Rate Case Expenses														
Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)														
A - Remove Company's Salaries & Wages														
B - Add RUOC's Salaries & Wages														

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUOC's Service Company Allocations

Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. All-1)

Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

A - Remove Company's Income Tax

B - Add Recalculated Income Tax

B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Anthem Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Anthem Water District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
		COMPANY RCND	ADJM'T TO RESTATE TO ORIGINAL COST	COMPANY ORIGINAL COST	ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 9,269,095
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 799,739
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	8.63%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 602,858
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ (196,881)
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 216,475		\$ 180,029	\$ (320,646)
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 4,010,805
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 3,690,159
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	-7.99%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 3,877,940
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 3,690,159
15	Difference				\$ (187,781)

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Anthem Water District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B)	(C)	(D)	(E) ROO ADJUSTED OCRB
		ROO ADJM'T # 1	ROO ADJM'T # 2	ROO ADJM'T # 3		
1	Gross Utility Plant In Service	\$ 41,428,654	\$ 99,293	\$ -	\$ -	\$ 41,527,947
	Less:					
2	Accumulated Depreciation	2,087,919	(1,430)	-	-	2,086,489
3	Net Utility Plant In Service (L1 - L2)	\$ 39,340,735	\$ 100,723	\$ -	\$ -	\$ 39,441,458
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 29,093,642	\$ -	\$ -	\$ -	\$ 29,093,642
5	Contribution In Aid Of Const. ("CIAC")	\$ 1,075,425	\$ -	\$ -	\$ -	1,075,425
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 1,075,425	\$ -	\$ -	\$ -	\$ 1,075,425
8	Customer Meter Deposits	\$ 3,296	\$ -	\$ -	\$ -	\$ 3,296
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<b>\$ 9,168,372</b>	<b>\$ 100,723</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,269,095</b>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS**  
**COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER	(B) ADJUSTMENT # 1	(C)	(D) ADJUSTMENT # 2	(E)	(F) ADJUSTMENT # 3	(G)	(H) ADJUSTMENT # 4	(I)	(J) ADJ	(K) ADJUSTMENT # 6	(L)	(M) RUCO AS ADTEO
			A	B	A	B	A	B	A	B	# 5	A	B	\$
1	Metered Water Revenues	\$ 2,060,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,060,418
2	Unmetered Water Revenues	1,980,387	-	-	-	-	-	-	-	-	-	-	-	1,980,387
3	Other Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
4	TOTAL OPERATING REVENUES	<u>\$ 4,010,805</u>	-	-	-	-	-	-	-	-	-	-	-	<u>\$ 4,010,805</u>
5	Salaries And Wages	\$ 417,470	\$ (115,832)	\$ 44,928	\$ -	\$ -	\$ -	\$ (302,136)	\$ 336,224	\$ -	\$ -	\$ -	\$ -	\$ 381,512
6	Purchased Water	172,055	-	-	-	-	-	-	-	-	-	-	-	172,055
7	Purchased Power	284,489	-	-	-	-	-	-	-	-	-	-	-	284,489
8	Chemicals	95,282	-	-	-	-	-	-	-	-	-	-	-	95,282
9	Repairs And Maintenance	130,909	-	-	-	-	-	-	-	-	-	-	-	130,909
10	Office Supplies And Expenses	56,692	(45,501)	53,684	-	-	-	-	-	-	-	-	-	64,875
11	Outside Services	27,158	-	-	-	-	-	-	-	-	-	-	-	27,159
12	Service Company Fees	494,521	-	-	-	-	-	-	-	-	-	-	-	389,981
13	Water Testing	1,103	-	-	-	-	-	-	-	-	-	-	-	1,103
14	Rents	18,568	-	-	-	-	-	-	-	-	-	-	-	18,568
15	Transportation Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Insurance - General Liability	13,830	(15,731)	11,712	-	-	-	-	-	-	-	-	-	11,811
17	Insurance - Health And Life	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Reg. Comm. Exp. - Rate Case	26,471	-	-	-	-	-	-	-	-	-	-	-	15,844
19	Miscellaneous Expenses	173,138	(5,300)	5,382	-	-	-	-	-	-	-	-	-	173,170
20	Depreciation Expense	917,978	-	-	-	-	-	-	-	-	-	-	-	917,978
21	Taxes Other Than Income	25,046	-	-	-	-	-	-	-	-	-	-	-	25,681
22	Property Taxes	221,191	-	-	-	-	-	-	-	-	-	-	-	173,311
23	Income Tax	283,347	-	-	-	-	-	-	-	-	-	-	-	334,649
24	Adjustment Due To Rounding	-	-	-	-	-	-	-	-	-	-	-	-	-
25	TOTAL OPERATING EXPENSES	<u>\$ 3,279,318</u>	<u>\$ (179,964)</u>	<u>\$ 115,656</u>	<u>\$ (26,471)</u>	<u>\$ 15,844</u>	<u>\$ (26,471)</u>	<u>\$ (27,184)</u>	<u>\$ 364,885</u>	<u>\$ (434,521)</u>	<u>\$ 389,981</u>	<u>\$ (47,880)</u>	<u>(285,347)</u>	<u>\$ 334,649</u>
26	OPERATING INCOME (LOSS)	<u>\$ 731,486</u>	<u>\$ 179,964</u>	<u>\$ (115,656)</u>	<u>\$ 26,471</u>	<u>\$ (15,844)</u>	<u>\$ 26,471</u>	<u>\$ (27,184)</u>	<u>\$ (364,885)</u>	<u>\$ (434,521)</u>	<u>\$ (399,981)</u>	<u>\$ 47,880</u>	<u>\$ 285,347</u>	<u>\$ (334,649)</u>
27	CALCULATION OF INTEREST SYNCHRONIZATION	\$ 9,289,985	2.9%	\$ 267,385	T.Y. Operating Income Before Income Taxes	\$ 1,134,387	\$ (287,385)	\$ 866,892	\$ 866,892	\$ 866,892	\$ 866,892	\$ 866,892	\$ 866,892	\$ 3,211,068
28	Adjusted Original Cost Of Debt (As Per ROO)	-	-	-	Deduct: Interest Expense	-	-	-	-	-	-	-	-	-
29	Weighted Average Cost Of Debt (As Per ROO)	-	-	-	Taxable Income	-	-	-	-	-	-	-	-	-
30	Synchronized Interest (Line 25 X Line 26)	-	-	-	-	-	-	-	-	-	-	-	-	-
31	State Tax @ 6.666%	-	-	-	-	-	-	-	-	-	-	-	-	-
32	Federal Tax @ 24%	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Total Federal & State Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-

**ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)**

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)

A - Remove Company's Overhead Expenses

B - Add RUCO's Overhead Expenses

Adjustment # 2 - Rate Case Expense As Per ROO Page 10, Lines 17 & 18 (See Exhibit B)

A - Remove Company's Rate Case Expenses

B - Add RUCO's Rate Case Expenses

Adjustment # 3 - Company Salaries & Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)

A - Remove Company's Salaries & Wages

B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Exhibit E)

A - Remove Appropriate Staff Surrebutal Sch. Alt-1

Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

A - Remove Company's Income Tax

B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Agua Fria/Anthem Wastewater District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
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Aqua Fria/Anthem Wastewater District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
		COMPANY RCND	ADJM'T TO RESTATE TO ORIGINAL COST	COMPANY ORIGINAL COST	ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 20,233,577	\$ (6,191,840)	\$ 14,041,737	\$ 2,731,868
2	Adjusted Operat'g Income (Loss)	\$ 1,175,416		\$ 1,175,416	\$ 41,699
3	Current Rate Of Return (L2 / L1)		5.81%		8.37%
4	Req. Operat'g Income (L5 X L1)	\$ 1,568,009		\$ 1,088,235	\$ 177,535
5	Req'd Rate Of Return On FVRB		7.75%		7.75% 6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 392,593		\$ (87,181)	\$ 135,836
7	Gross Rev. Factor (RLM-1, Pg 2)		1.6286		1.6286 1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 639,391		\$ (141,984)	\$ 221,227
9	Adjusted Test Year Revenue	\$ 5,088,340		\$ 5,088,340	\$ 1,866,546
10	Proposed Annual Rev. (L8 + L9)	\$ 5,727,731		\$ 4,946,356	\$ 2,087,773
11	Required % Increase In Rev. (L8 / L9)		12.57%		-2.79% 11.85%
12	Rate Of Return On Common Eq'ty		11.50%		11.50% 9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 2,095,584
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 2,087,773
15	Difference				\$ (7,811)

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Agua Fria/Anthem Wastewater District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED AS OCRB
		OCRB	ADJM'T # 1	ADJM'T # 2	ADJM'T # 3	ADJUSTED AS OCRB
1	Gross Utility Plant In Service	\$ 23,053,411	\$ (16,142)	\$ -	\$ -	\$ 23,037,269
	Less:					
2	Accumulated Depreciation	789,221	(1,114)	-	-	788,107
3	Net Utility Plant In Service (L1 - L2)	\$ 22,264,190	\$ (15,028)	\$ -	\$ -	\$ 22,249,162
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 19,045,098	\$ -	\$ -	\$ -	\$ 19,045,098
5	Contribution In Aid Of Const. ("CIAC")	\$ 472,196	\$ -	\$ -	\$ -	\$ 472,196
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 472,196	\$ -	\$ -	\$ -	\$ 472,196
8	Customer Meter Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Tolleson Trickling Filter	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<b>\$ 2,746,896</b>	<b>\$ (15,028)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,731,868</b>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO

Column (C): Intentionally Left Blank

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS**  
**COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT #1		(C) ADJUSTMENT #2		(D) ADJUSTMENT #3		(E) ADJUSTMENT #4		(F) ADJUSTMENT #5		(G) ADJUSTMENT #6		(H) ADJUSTMENT #7		(I) ADJUSTMENT #8		(J) ADJUSTMENT #9		(K) ADJUSTMENT #10		(L) ADJUSTMENT #11		(M) RUCCO AS ADJUSTED																																																																																																																																																																									
		NO.	ADJUSTMENT A	NO.	ADJUSTMENT B	NO.	ADJUSTMENT A	NO.	ADJUSTMENT B	NO.	ADJUSTMENT A	NO.	ADJUSTMENT B	NO.	ADJUSTMENT A	NO.	ADJUSTMENT B	NO.	ADJUSTMENT A	NO.	ADJUSTMENT B	NO.	ADJUSTMENT A	NO.	ADJUSTMENT B	NO.	ADJUSTMENT A	NO.	ADJUSTMENT B																																																																																																																																																																						
1	Flat Rate Revenues	\$ 80,474	\$ -	2	Measured Revenues	\$ 96,072	\$ -	3	Other Wastewater Revenues	\$ 1,868,546	\$ -	4	TOTAL OPERATING REVENUES:	\$ -	\$ -	5	Salaries And Wages	\$ 256,979	\$ (57,666)	6	Purchased Wastewater Treatment	\$ 19,925	\$ -	7	Purchased Power	\$ 5,714	\$ -	8	Fuel For Power Production	\$ -	\$ -	9	Chemicals	\$ -	\$ -	10	Material And Supplies	\$ (1,053)	\$ -	11	Repairs And Maintenance	\$ -	\$ -	12	Office Supplies And Expenses	\$ 66,646	\$ (21,372)	13	Outside Services	\$ 26,544	\$ -	14	Service Company Charges	\$ 264,687	\$ -	15	Water Testing	\$ -	\$ -	16	Rents	\$ 8,308	\$ -	17	Transportation Expenses	\$ -	\$ -	18	Insurance - General Liability	\$ (4,564)	\$ (3,998)	19	Insurance - Health And Life	\$ -	\$ -	20	Reg. Comm. Exp. - Rate Case	\$ 12,319	\$ (12,319)	21	Miscellaneous Expenses	\$ 242,323	\$ (5,142)	22	Depreciation Expense	\$ 864,771	\$ -	23	Taxes Other Than Income	\$ 16,213	\$ -	24	Property Taxes	\$ 108,825	\$ -	25	Income Tax	\$ (68,512)	\$ -	26	Adjustment Due To Rounding	\$ -	\$ -	27	TOTAL OPERATING EXPENSES:	\$ 1,848,102	\$ (60,159)	28	OPERATING INCOME (LOSS):	\$ 18,444	\$ 90,159	29	CALCULATION OF INTEREST SYNCHRONIZATION	\$ 2,741,868	\$ -	30	Adjusted Original Cost Rate Basis (As Per ROO)	\$ 2.9%	\$ 61,251	31	Weighted Average Cost Of Debt (As Per ROO)	\$ 78,809	\$ (61,251)	32	Synchronized Interest (Line 25 X Line 26)	\$ -	\$ (7,319)	33	COMPUTATION OF INCOME TAXES	\$ 18,365	\$ -	34	T.Y. Operating Income Before Income Taxes	\$ -	\$ 7,319	35	DEDUCT: Interest Expense Taxable Income	\$ (78,809)	\$ (7,319)	36	State Tax @ 6.668%	\$ (4,212)	\$ -	37	Federal Tax Deductible Income	\$ (56,292)	\$ -	38	Federal Tax @ 34%	\$ (19,119)	\$ -	39	Total Federal & State Income Taxes	\$ (23,381)	\$ -	40	ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)	\$ -	\$ -	41	Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)	\$ (78,809)	\$ -	42	A - Remove Company's Overhead Expenses	\$ (60,444)	\$ -	43	B - Add RUCCO's Service Company Allocations	\$ -	\$ -	44	Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)	\$ -	\$ -	45	A - Remove Company's Overhead Expenses	\$ -	\$ -	46	B - Add RUCCO's Service Company Allocations	\$ -	\$ -	47	Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)	\$ -	\$ -	48	A - Remove Company's Salaries & Wages	\$ -	\$ -	49	B - Add Recalculated Income Tax	\$ -	\$ -

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

- Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)
  - A - Remove Company's Overhead Expenses
  - B - Add RUCCO's Service Company Allocations
- Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)
  - A - Remove Company's Overhead Expenses
  - B - Add RUCCO's Service Company Allocations
- Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)
  - A - Remove Company's Salaries & Wages
  - B - Add Recalculated Income Tax

- Adjustment # 4 - Service Company Changes As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)
  - A - Remove Company's Service Company Allocations
  - B - Add RUCCO's Service Company Allocations
- Adjustment # 5 - Property Tax Expenses As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebuttal Sch. All-1)
  - A - Remove Company's Income Tax
  - B - Add Recalculated Income Tax
- Adjustment # 6 - Income Tax Expenses - Recalculated to Reflect Changes in Operating Income (See Lines 29 - 35)
  - A - Remove Company's Income Tax
  - B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Mohave Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Mohave Water District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A) COMPANY RCND	(B) ADJM'T TO RESTATE TO ORIGINAL COST	(C) COMPANY ORIGINAL COST	(D) ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 8,791,741
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 986,092
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	11.22%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 571,239
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ (414,853)
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 216,475		\$ 180,029	\$ (675,642)
9	Adjusted Test Year Revenue	\$ 4,394,132		\$ 4,394,132	\$ 4,394,132
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 3,718,490
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	-15.38%
12	Rate Of Return On Common Eq'ty	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 4,008,207
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 3,718,490
15	Difference				\$ (289,717)

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Mohave Water District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 23,833,079	\$ (100,878)	\$ -	\$ -	\$ 23,732,201
	Less:					
2	Accumulated Depreciation	7,852,645	(93,363)	-	-	7,759,282
3	Net Utility Plant In Service (L1 - L2)	<u>\$ 15,980,434</u>	<u>\$ (7,515)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,972,919</u>
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 3,462,178	\$ -	\$ 746,228	\$ -	\$ 4,208,406
5	Contribution In Aid Of Const. ("CIAC")	\$ 2,825,809	\$ -	\$ 39,252	\$ -	2,865,061
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 2,825,809	\$ -	\$ 39,252	\$ -	\$ 2,865,061
8	Customer Meter Deposits	\$ 107,711	\$ -	\$ -	\$ -	\$ 107,711
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<b>\$ 9,584,736</b>	<b>\$ (7,515)</b>	<b>\$ (785,480)</b>	<b>\$ -</b>	<b>\$ 8,791,741</b>

References:

Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)

Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO Page 8, Lines 26 -28

Column (C): Adjustment To Test Year AIAC And CIAC As Per ROO Page 9, Lines 11 - 16

Column (D): Intentionally Left Blank

Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)

SUMMARY OF OPERATING INCOME ADJUSTMENTS

COMPANY RECONCILED TEST YEAR ADJUSTED AS PER ROO

LINE NO.	DESCRIPTION	(A) COMPANY RECONCILED		(B) ADJUSTMENT #1		(D) ADJUSTMENT #2		(F) ADJUSTMENT #3		(G) ADJUSTMENT #4		(H) ADJUSTMENT #5		(I) ADJUSTMENT #6		(J) ADJ #5		(K) ADJUSTMENT #A		(L) ADJUSTMENT #B		(M) RUCCO AS ADTED	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
1	OPERATING REVENUES:	\$ 4,285,427		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ 4,285,427	
2	Metered Water Revenues																						
3	Unmetered Water Revenues																						
4	Other Water Revenues																						
	TOTAL OPERATING REVENUE:	<u>\$ 4,394,152</u>		<u>\$ 4,394,152</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>		<u>\$ 4,394,152</u>	
5	OPERATING EXPENSES:																						
6	Salaries and Wages	\$ 721,010		\$ (144,165)		\$ 56,161		\$ -		\$ -		\$ -		\$ 475,602		\$ -		\$ -		\$ -		\$ 531,763	
7	Purchased Water	5,040																					5,040
8	Purchased Power	294,603																				284,603	
9	Repairs And Maintenance	8,150																				8,150	
10	Chemicals	301,313																				301,313	
11	Office Supplies And Expenses	194,599																				194,599	
12	Outside Services	5,177																				5,177	
13	Service Company Fees	479,586																				479,586	
14	Water Testing	-																				18,305	
15	Rents	18,305																				18,305	
16	Transportation Expenses	20,140																				19,213	
17	Insurance - General Liability																						
18	Insurance - Health And Life																						
19	Reb. Comm. Exp. - Rate Cases	29,013																				17,360	
20	Miscellaneous Expense	83,803																				83,814	
21	Depreciation Expense	676,214																				676,214	
22	Taxes Other Than Income	46,544																				40,059	
23	Property Taxes	263,528																				239,655	
24	Income Tax	331,104																				460,454	
25	Adjustment Due To Rounding																						
	TOTAL OPERATING EXPENSE:	<u>\$ 3,478,133</u>		<u>\$ 257,372</u>		<u>\$ 239,305</u>		<u>\$ (239,013)</u>		<u>\$ 17,360</u>		<u>\$ (623,359)</u>		<u>\$ 515,601</u>		<u>\$ (479,586)</u>		<u>\$ 441,464</u>		<u>\$ (23,973)</u>		<u>\$ 460,454</u>	
	OPERATING INCOME (LOSS)	<u>\$ 915,990</u>		<u>\$ 257,372</u>		<u>\$ 239,305</u>		<u>\$ 20,013</u>		<u>\$ (17,360)</u>		<u>\$ 623,359</u>		<u>\$ (515,601)</u>		<u>\$ 479,586</u>		<u>\$ (41,464)</u>		<u>\$ 21,071</u>		<u>\$ 331,104</u>	
	CALCULATION OF INTEREST SYNCHRONIZATION																						
27	Adjusted Original Cost Rate Basis As Per ROO	\$ 6,791,741																				1,446,645	
28	Weighted Average Cost Of Debt As Per ROO																					(251,624)	
29	Synthesized Interest (Line 25 X line 26)																					1,192,021	
	STATE TAXES																						
30	Federal Tax @ 34%																					83,123	
31	Federal Tax @ 34%																					1,109,798	
32	Total Federal & State Income Taxes																					577,301	
33																						460,454	

ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)

A - Remove Company's Overhead Expenses

B - Add RUCCO's Overhead Expenses

Adjustment # 2 - Rate Case Expenses As Per ROO Page 20, Lines 18 & 19 (See Exhibit B)

A - Remove Company's Rate Case Expenses

B - Add RUCCO's Rate Case Expenses

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 18, Lines 4 - 6 (See Exhibit C)

A - Remove Company's Salaries & Wages

B - Add RUCCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCCO's Service Company Allocations

Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Appropriate Staff Surrebutal Sch. All-1)

A - Remove Company's Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

B - Add Recalculated Income Tax

A - Remove Company's Income Tax

B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

Havasu Water District

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
TABLE OF CONTENTS TO RLM SCHEDULES**

SCH. NO.	PAGE NO.	TITLE
RLM-1	1	REVENUE REQUIREMENT
RLM-2	1	RATE BASE
RLM-3	1	INCOME STATEMENT

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Havasu Water District  
 Schedule RLM-1  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 REVENUE REQUIREMENT**

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
		COMPANY RCND	ADJM'T TO RESTATE TO ORIGINAL COST	COMPANY ORIGINAL COST	ADJUSTED AS PER ROO ORIGINAL COST
1	Fair Value Rate Base	\$ 1,903,764	\$ (289,243)	\$ 1,614,521	\$ 822,117
2	Adjusted Operat'g Income (Loss)	\$ 14,583		\$ 14,583	\$ 26,611
3	Current Rate Of Return (L2 / L1)	0.77%		0.90%	3.24%
4	Req. Operat'g Income (L5 X L1)	\$ 147,501		\$ 125,125	\$ 53,442
5	Req'd Rate Of Return On FVRB	7.75%		7.75%	6.50%
6	Operat'g Inc. Def'y (L4 - L2)	\$ 132,918		\$ 110,542	\$ 26,831
7	Gross Rev. Factor (RLM-1, Pg 2)	1.6286		1.6286	1.62863
8	Increase In Gross Rev. Req't (L7 X L6)	\$ 216,475		\$ 180,029	\$ 43,697
9	Adjusted Test Year Revenue	\$ 254,486		\$ 254,486	\$ 440,924
10	Proposed Annual Rev. (L8 + L9)	\$ 469,847		\$ 434,515	\$ 484,621
11	Required % Increase In Rev. (L8 / L9)	85.06%		70.74%	9.91%
12	Rate Of Return On Common Eq'y	11.50%		11.50%	9.00%
13	Proposed Revenue Requirement As Per ROO				\$ 527,991
14	Proposed Revenue Requirement As Corrected By RUCO				\$ 484,621
15	Difference				\$ (43,370)

References:

- Column (A): Company Schedules A-1 and C-1
- Column (B): Recalculated After Adjusting To OCRB
- Column (C): Company Schedules A-1 and C-1
- Column (D): RUCO Schedules RLM-1, RLM-2 And RLM-3

Arizona-American Water Company  
 Docket No. W-01303A-02-0868  
 Test Year Ended December 31, 2001

Havasu Water District  
 Schedule RLM-2  
 Page 1 of 1

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)  
 SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS**

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB	(B) ROO ADJM'T # 1	(C) ROO ADJM'T # 2	(D) ROO ADJM'T # 3	(E) ROO ADJUSTED OCRB
1	Gross Utility Plant In Service	\$ 2,165,406	\$ (95,241)	\$ -	\$ -	\$ 2,070,165
	Less:					
2	Accumulated Depreciation	555,531	(18,120)	-	-	537,411
3	Net Utility Plant In Service (L1 - L2)	\$ 1,609,875	\$ (77,121)	\$ -	\$ -	\$ 1,532,754
	Less:					
4	Advances In Aid Of Const. ("AIAC")	\$ 418,704	\$ -	\$ -	\$ -	\$ 418,704
5	Contribution In Aid Of Const. ("CIAC")	\$ 280,867	\$ -	\$ -	\$ -	\$ 280,867
6	Less: Accumulated Amortization	-	-	-	-	-
7	NET CIAC (L4 - L5)	\$ 280,867	\$ -	\$ -	\$ -	\$ 280,867
8	Customer Meter Deposits	\$ 11,066	\$ -	\$ -	\$ -	\$ 11,066
9	Deferred Income Taxes And Credits	-	-	-	-	-
10	Investment Tax Credits	-	-	-	-	-
	Plus:					
11	Unamortized Finance Charges	\$ -	\$ -	\$ -	\$ -	\$ -
12	Deferred Tax Assets	-	-	-	-	-
13	Allowance For Working Capital	-	-	-	-	-
14	Citizens Acquisition Adjustment	-	-	-	-	-
15	Adjustment Due To Rounding	-	-	-	-	-
16	<b>TOTAL RATE BASE</b>	<b>\$ 899,238</b>	<b>\$ (77,121)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 822,117</b>

References:

- Column (A): Company As Filed Per Schedule B-2 And RLM-2, Col (C)
- Column (B): Adjustment To Test Year Total Plant And Accumulated Depreciation As Per ROO
- Column (C): Intentionally Left Blank
- Column (D): Intentionally Left Blank
- Column (E): Sum Of Columns (A) Thru (D) As Per ROO Page 8, Lines 26 - 28 (See Appropriate Staff Surrebuttal Sch. DWC-3)

**CORRECTED TO REFLECT RECOMMENDED OPINION AND ORDER (ROO)**  
**SUMMARY OF OPERATING INCOME ADJUSTMENTS**  
**COMPANY REJOINDER TEST YEAR ADJUSTED AS PER ROO**

LINE NO.	DESCRIPTION	(A) COMPANY REJOINDER		(B) ADJUSTMENT # 1		(C) ADJUSTMENT # 2		(D) ADJUSTMENT # 3		(E) ADJUSTMENT # 4		(F) ADJUSTMENT # 5		(G) ADJUSTMENT # 6		(H) ADJUSTMENT # 7		(I) ADJUSTMENT # 8		(J) ADJUSTMENT # 9		(K) ADJUSTMENT # 10		(L) ADJUSTMENT # 11		(M) RUCO AS ADJUSTED	
		REJOINDER	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	
1	OPERATING REVENUES:																										
1	Metered Water Revenues	\$ 420,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 430,392	
2	Unmetered Water Revenues	10,552	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,552
3	Other Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	TOTAL OPERATING REVENUES	\$ 440,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,924	
5	OPERATING EXPENSES:																										
5	Salaries And Wages	\$ 138,969	\$ (28,833)	\$ 11,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,937
6	Purchased Water	806	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	806
7	Purchased Power	47,018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,018
8	Chemicals	1,286	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,266
9	Repairs And Maintenance	75,805	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75,805
10	Office Supplies And Expenses	17,267	(9,420)	14,208	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,055
11	Outside Services	2,482	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,462
12	Service Company Fees	69,258	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,753
13	Water Testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,837
14	Hents	1,637	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Transportation Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Insurance - General Liability	1,735	(1,736)	1,650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Heg. Comm. Exp. - Rate Case	2,910	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,742
18	Miscellaneous Expense	2,222	(1,288)	1,287	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,231
19	Depreciation Expense	41,554	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,554
20	Taxes Other Than Income	8,908	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,824
21	Property Taxes	27,185	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,541
22	Income Tax	(13,032)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,819
23	Adjustment Due To Rounding	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	TOTAL OPERATING EXPENSES	\$ 426,168	\$ (41,277)	\$ 29,367	\$ (2,910)	\$ 1,742	\$ (119,044)	\$ 114,505	\$ 63,753	\$ (63,256)	\$ (2,644)	\$ (2,644)	\$ 13,032	\$ 1,819													
25	OPERATING INCOME (LOSS)	\$ 14,756	\$ 41,277	\$ (28,367)	\$ 2,910	\$ (1,742)	\$ 119,044	\$ (114,505)	\$ 63,753	\$ (63,256)	\$ 2,644	\$ 2,644	\$ (13,032)	\$ (1,819)													
26	CALCULATION OF INTEREST SYNCHRONIZATION																										
27	Adjusted Original Cost Rate Base (As Per ROO)	\$ 822,117	2.0%	\$ 23,426																							
28	Weighted Average Cost Of Debt (As Per ROO)	\$ 23,716		\$ (23,716)																							
29	Synchronized Interest (Line 25 X Line 26)																										
30	State Tax @ 6.568%																										
31	Federal Tax @ 34%																										
32	Total Federal & State Income Taxes																										
33																											

**ADJUSTMENTS AS STATED IN RECOMMENDED OPINION AND ORDER (ROO)**

Adjustment # 1 - Corporate Overhead Expenses As Per ROO Page 18, Lines 4 - 6 (See Exhibit A)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 2 - Rate Case Expense As Per ROO Page 10, Lines 17 & 18 (See Exhibit B)

A - Remove Staff Surrebuttal Sch. All-1

B - Add RUCO's Rate Case Expenses

Adjustment # 3 - Company Salaries And Wages As Per ROO Page 16, Lines 4 - 6 (See Exhibit C)

A - Remove Company's Salaries & Wages

B - Add RUCO's Salaries & Wages

Adjustment # 4 - Service Company Charges As Per ROO Page 18, Lines 4 - 6 (See Exhibit D)

A - Remove Company's Service Company Allocations

B - Add RUCO's Service Company Allocations

Adjustment # 5 - Property Tax Expense As Per ROO Page 10, Lines 17 & 18 (See Exhibit E)

A - Remove Appropriate Staff Surrebuttal Sch. All-1

B - Add RUCO's Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

Adjustment # 6 - Income Tax Expenses - Recalculated To Reflect Changes In Operating Income (See Lines 27 - 33)

A - Remove Company's Income Tax

B - Add Recalculated Income Tax

Arizona-American Water Company  
Docket No. W-01303A-02-0868  
Test Year Ended December 31, 2001

# EXHIBIT 3

1 EXHIBIT 3

2 RUCO'S PROPOSED AMENDMENT

3 Page 10, Line 23

4 DELETE "\$21,853,479"

6 INSERT "\$21,853,481"

8 Page 21, Line 12

9 DELETE "\$29,696,770"

11 INSERT "\$30,179,111"

12 Page 21, Line 13

13 DELETE "\$2,865,176", "\$3,447,237"

15 INSERT "\$2,920,999" "\$3,524,480"

17 Page 21, Line 14

18 DELETE "\$5,340,171", "\$3,987,486"

20 INSERT "\$5,656,746", "\$4,060,864"

1 Page 21, Line 15

2 DELETE "\$3,302,031", "\$402,106"

3

4 INSERT "\$3,408,040", "\$414,313"

5

Page 21, Line 16

6 DELETE "\$5,071,975", "\$3,207,639"

7

8 INSERT "\$4,930,424", "\$3,211,066"

9

10 Page 21, Line 17

11 DELETE "\$1,851,448", "\$221,501"

12

13 INSERT "\$1,824,847", "\$227,332"

14

Page 21, Line 20

15 DELETE "\$5,080,512", "\$406,394"

16

17 INSERT "\$5,171,702", "\$459,775"

18

19 Page 21, Line 21

20 DELETE "\$(123,106)", "\$414,585"

21

22 INSERT "\$11,200", "\$536,334"

23

24

1 Page 21, Line 22

2 DELETE "\$1,407,934", "\$808,202"

3

4 INSERT "\$ 1,027,476", "\$986,092"

5 Page 21, Line 23

6 DELETE "(\$18)", "\$1,414,978" "\$684,439"

7

8 INSERT "\$26,611", "\$1,255,613", "\$799,739"

9 Page 21, Line 24

10 DELETE "\$36,903", "\$30,201"

11

12 INSERT "\$41,699", "\$27,154"

13 Page 33, Line 6

14 DELETE "\$406,394"

15

16 INSERT "\$459,776"

17

18 Page 33, Line 9

19 DELETE "\$371,258"

20

21 INSERT "\$317,877"

22

23

24

1 Page 33, Line 10

2 DELETE "\$604,642"

3

4 INSERT "\$517,704"

5

Page 33, Line 11

6

DELETE "17.88"

7

8

INSERT "\$15.31"

9

10 Page 33, Line 13

11 DELETE "(123,106)"

12

13 INSERT "\$11,200"

14

Page 33, Line 16

15

DELETE "\$702,302"

16

17

INSERT "\$567,995"

18

19 Page 33, Line 17

20

DELETE "\$1,143,789"

21

22

INSERT "\$925,054"

23

24

1 Page 33, Line 18

2 DELETE "32.35"

3

4 INSERT "\$26.16"

5 Page 33, Line 20

6 DELETE "\$414,485"

7

8 INSERT "\$536,334"

9

10 Page 33, Line 23

11 DELETE "\$1,006,898",

12

13 INSERT "\$885,140"

14 Page 33, Line 25

15 DELETE "\$1,639,864", "26.48"

16

17 INSERT "\$1,441,565", "23.29"

18

19 Page 33, Line 27

20 DELETE "\$1,407,934"

21

22 INSERT "\$1,027,476"

23

24

1 Page 34, Line 2

2 DELETE "\$841,727"

3

4 INSERT "\$461,269"

5 Page 34, Line 3

6 DELETE "\$1,370,862", "26.94"

7

8 INSERT "\$751,237", "14.76"

9

10 Page 34, Line 6

11 DELETE "\$808,202"

12

13 INSERT "\$986,092"

14

15 Page 34, Line 9

16 DELETE "\$236,903"

17

18 INSERT "\$414,853"

19 Page 34, Line 10

20 DELETE "\$385,925", "8.78"

21

22 INSERT "\$675,642", "15.38"

23

24

1 Page 34, Line 13

2 DELETE (\$18)

3

4 INSERT \$26,611

5 Page 34, Line 15

6 DELETE \$53,460

7

8 INSERT \$26,831

10 Page 34, Line 17

11 DELETE \$87,067 19.75

12

13 INSERT \$43,697, 9.91

14 Page 34, Line 20

15 DELETE \$1,414,978

16

17 INSERT \$1,255,613

19 Page 34, Line 23

20 DELETE \$331,561

21

22 INSERT \$172,196

23

24

1 Page 34, Line 24

2 DELETE "\$539,990", "8.73"

3

4 INSERT "\$280,443", "4.53"

5

Page 34, Line 27

6

DELETE "\$684,439"

7

8

INSERT "\$799,739"

9

10 Page 35, Line 1

11 DELETE "\$81,581"

12

13 INSERT "\$196,881"

14

Page 35, Line 3

15

DELETE "\$132,865", "3.31"

16

17 INSERT "\$320,646", "7.99"

18

19 Page 35, Line 6

20

DELETE "\$36,903"

21

22 INSERT "\$41,699"

23

24

1 Page 35, Line 9

2 DELETE "\$140,632"

3

4 INSERT "\$135,836"

5 Page 35, Line 11

6 DELETE "\$229,038", "12.27"

7

8 INSERT "\$221,227", "11.85"

9

10 Page 35, Line 13

11 DELETE \$30,201"

12

13 INSERT "\$27,154"

14 Page 35, Line 15

15 DELETE "\$43,070"

16

17 INSERT "\$46,117"

18

19 Page 35, Line 17

20 DELETE "\$70,145", "27.56"

21

22 INSERT "\$75,108", "29.51"

23

24

1 Page 52, Line 24

2 DELETE "\$406,394"

3

4 INSERT "\$459,775"

5 Page 52, Line 27

6 DELETE "\$371,258"

7

8 INSERT "\$317,877"

9

10 Page 53, Line 1

11 DELETE "\$604,642" "17.88"

12

13 INSERT "\$517,704", "15.31"

14

Page 53, Line 10

15 DELETE "(\$123,106)"

16

17 INSERT "\$11,200"

18

19 Page 53, Line 13

20 DELETE "\$702,301"

21

22 INSERT "\$567,995"

23

24

1 Page 53, Line 15

2 DELETE "\$1,143,789" "32.35"

3

4 INSERT "\$925,054", "26.16"

5

Page 53, Line 22

6

DELETE "\$414,585"

7

8

INSERT "\$536,344"

9

10 Page 53, Line 25

11

DELETE "\$1,006,898"

12

13

INSERT "\$885,140"

14

Page 53, Line 27

15

DELETE "\$1,639,864", "26.48"

16

17

INSERT "\$1,441,565", "23.28"

18

19

Page 54, Line 8

20

DELETE "\$1,407,934"

21

22

INSERT "\$1,027,476"

23

24

1 Page 54, Line 11

2 DELETE "\$841,727"

3

4 INSERT "\$461,269"

5 Page 54, Line 13

6 DELETE "1,370,862", "26.94"

7

8 INSERT "\$751,237", "14.76"

9

10 Page 54, Line 20

11 DELETE "\$808,202"

12

13 INSERT "\$986,092"

14

15 Page 54, Line 23

16 DELETE "\$236,963"

17

18 INSERT "\$414,853"

19 Page 54, Line 24

20 DELETE "\$385,925", "8.78"

21

22 INSERT "\$675,642", "15.38"

23

24

1 Page 55, Line 6

2 DELETE "(\$18)"

3

4 INSERT "\$26,611"

5

Page 55, Line 8

6 DELETE "\$53,460"

7

8 INSERT "\$26,831"

9

10 Page 55, Line 10

11 DELETE "(87,067), "19.75"

12

13 INSERT "\$43,697", "9.91"

14

Page 55, Line 20

15 DELETE "\$1,414,978"

16

17 INSERT "\$1,255,613"

18

19 Page 55, Line 23

20 DELETE "\$331,561"

21

22 INSERT "\$172,196"

23

24

1 Page 55, Line 24

2 DELETE "\$539,990", "8.73"

3

4 INSERT "\$280,443", "4.53"

5

Page 56, Line 6

6

DELETE "\$684,439"

7

8

INSERT "\$799,739"

9

10 Page 56, Line 9

11

DELETE "\$81,581"

12

13

INSERT "\$196,881"

14

Page 56, Line 10

15

DELETE "\$132,265", "3.31"

16

17

INSERT "\$320,646", "7.99"

18

19

Page 56, Line 20

20

DELETE "\$36,903"

21

22

INSERT "\$41,699"

23

24

1 Page 56, Line 23

2 DELETE "\$140,632"

3

4 INSERT "\$135,836"

5 Page 56, Line 25

6 DELETE "\$229,038", "12.27"

7

8 INSERT "\$221,227", "11.85"

9

10 Page 57, Line 4

11 DELETE "\$30,201"

12

13 INSERT "\$27,154"

14 Page 57, Line 7

15 DELETE "\$43,070"

16

17 INSERT "\$46,117"

18

19 Page 57, Line 8

20 DELETE "\$70,145"

21

22 INSERT "\$75,108"

23

24

1 Page 57, Line 9

2 DELETE "27.56"

3

4 INSERT "29.51"

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